

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2008

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and limited by guarantee)

## REPORT OF THE BOARD OF GOVERNORS

The members of Executive Committee of United Hearts Youth Foundation Limited (the "Foundation") have pleasure in submitting their report together with the audited accounts for the year ended 31st December 2008.

## PRINCIPAL ACTIVITIES

The principal activities of the Foundation are furtherance of charitable causes covering areas such as education and assisting the poor and needy.

## RESULTS

The results of the Foundation for the year ended 31st December 2008 and the state of affairs as at the year ended date are set out in the annexed accounts.

## FIXED ASSETS

Details of the movements in fixed assets are shown in note 5 to the accounts.

## BOARD OF GOVERNORS

The members of the Board of Governors during the year were:

Young Cho Yee, David  
Cheung Chau Yin  
Cheung Suet Ling, Shirley  
Tse Siu Kin  
Kwok Man Yee, Elvis  
Lui Chun Tung  
Ching Suk Kuen  
Wong, Pik Chi, Van  
Liu Po Yee, Joan  
Ling Wai Man  
Wright Chui Pui Yee, Candy

In accordance with the Articles of Association, all the board of governors of the Foundation are subject to retirement by rotation and re-election at the annual general meeting of the Foundation in accordance with the provision of the Foundations articles of association.

## COMMITMENT FOR SCHOOL BUILDING DONATION

The Foundation has committed approximately RMB 1.02 million (2007: RMB1.44) as at the year ended date for payment of donation money for construction of school buildings in Mainland China.

## INTEREST IN CONTRACTS

No contracts of significance to which the Foundation was a party and in which an executive committee member had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Foundation a party to any arrangement to enable the committee members of the Foundation to acquire benefits by means of the acquisition of shares in, or debentures of, the Foundation or any other body corporate.

## AUDITORS

The accounts have been audited by Messrs. K.S. Liu & Company CPA Ltd, Certified Public Accountants, who retire, and being eligible, offer themselves for re-appointment.

On behalf of the Board,

  
Chairman

HONG KONG: 13 MAY 2009

**K.S. LIU & COMPANY, C.P.A. LTD**  
**廖廣生會計師事務所有限公司**

Certified Public Accountants

Tsim Sha Tsui P.O. Box 90752, Tsim Sha Tsui, Kowloon, Hong Kong



INDEPENDENT AUDITOR'S REPORT  
TO THE BOARD OF GOVERNORS OF  
UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of United Hearts Youth Foundation Limited (the "Foundation"), which comprise the balance sheet as at 31st December 2008, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board of Governors for the financial statements

The Board of Governors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Foundation's affairs as at 31st December 2008 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Date: 13 MAY 2009

K.S. Liu & Company, CPA Ltd  
Certified Public Accountants  
Unit 1003, 10<sup>th</sup> Floor  
Rightful Centre  
12 Tak Hing Street  
Tsim Sha Tsui  
Kowloon

Messrs. K. S. Liu, Auditor  
Certified Public Accountant  
(P01586)



K.S. Liu & Company, CPA Ltd  
Certified Public Accountants  
Honorary Auditors

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
INCOME STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2008

	Note	2008 HK\$	2007 HK\$
INCOME		2,289,736	584,771
DIRECT FUND RAISING COSTS		(2,376)	(1,000)
CONTRIBUTION TOWARDS CHARITABLE CAUSES		(1,017,381)	(831,076)
GROSS INCOME/(EXPENSES)		<u>1,269,979</u>	<u>(247,305)</u>
INTEREST INCOME		22,158	83,809
ADMINISTRATIVE EXPENSES		(307,702)	(263,006)
SURPLUS/(DEFICIT) BEFORE TAXATION	7	<u>984,435</u>	<u>(426,502)</u>
TAXATION	6	-	-
SURPLUS/(DEFICIT) AFTER TAXATION		<u>984,435</u>	<u>(426,502)</u>
ACCUMULATED FUND BROUGHT FORWARD		2,987,676	3,414,178
ACCUMULATED FUND CARRIED FORWARD		<u>3,972,111</u>	<u>2,987,676</u>
		=====	=====

Line items analysis disclosed for purpose of presentation:

	2008 HK\$	2007 HK\$
Revenue	2,289,736	584,771
Finance costs	10,861	7,776
	=====	=====

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
BALANCE SHEET AS AT 31ST DECEMBER 2008

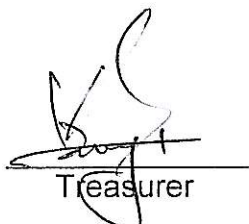
	Note	2008 HK\$	2007 HK\$
NON-CURRENT ASSETS	8	7,255	5,201
NET CURRENT ASSETS	10	3,964,856	2,982,475
		<u>3,972,111</u>	<u>2,987,676</u>
		=====	=====

Represented by:

ACCUMULATED FUND	11	<u>3,972,111</u>	<u>2,987,676</u>
		=====	=====

Approved by the Board of Governors on 11 3 MAY 2009

  
Chairman

  
Treasurer

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
FOR THE YEAR ENDED 31ST DECEMBER 2008

Line items of assets and liabilities disclosed for purpose of presentation:

	2008 HK\$	2007 HK\$
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	7,255	5,201
Investment property	-	-
	=====	=====
<b>CURRENT ASSETS</b>		
Inventories	-	-
Cash and cash equivalents	2,347,806	1,364,203
Trade and other receivables	-	-
Other financial assets	1,618,050	1,619,697
	=====	=====
<b>CURRENT LIABILITIES</b>		
Trade and other payables	-	-
Other financial liabilities	-	-
Provisions	1,000	1,425
	=====	=====
<b>TAXATION</b>		
Current tax assets/(liabilities) :		
Tax refundable	-	-
Tax provision	-	-
Deferred tax liabilities/(assets):		
Deferred tax	-	-
	=====	=====

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)

STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER 2008

	Accumulated Fund HK\$	Building School Fund HK\$	Activities Fund HK\$	Total HK\$
Balance at 1st January 2007	3,414,178	-	-	3,414,178
Deficit for the year	(426,502)	-	-	(426,502)
Balance at 31st December 2007	2,987,676	-	-	2,987,676
Surplus for the year	984,435	-	-	984,435
Transferred to building school fund	(488,054)	488,054	-	-
Transferred to activities fund	(173,892)	-	173,892	-
Balance at 31st December 2008	3,310,165	488,054	173,892	3,972,111

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2008

	2008 HK\$	2007 HK\$
Deficit/(surplus) for the year	984,435	(426,502)
Interest income	(22,158)	(83,809)
Depreciation	2,139	1,300
(Increase)/Decrease in utility deposit	50	(4,000)
(Increase)/Decrease in prepayment	1,697	(3,443)
(Increase)/Decrease in account receivable	-	11,133
(Decrease)/Increase in accrued expenses	(425)	(469)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	965,738	(505,790)
	=====	=====

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2008

	2008 HK\$	2007 HK\$
Net cash inflow/(outflow) from operating activities	965,738	(505,790)
Return on investments activities and servicing of finance Interest income	22,158	83,809
Net cash inflow from return on investment activities and servicing of finance	22,158	83,809
Investments activities Payment to acquire fixed assets Sales of fixed assets	(4,193) -	(6,500) -
Net cash outflow from investment activities	(4,193)	(6,500)
Increase in cash and cash equivalents	983,703	(428,481)
Cash and cash equivalents at the beginning of the year	2,864,103	3,292,684
Cash and cash equivalents at the end of the year	3,847,806	2,864,203
Analysis of balances of cash and cash equivalents Cash at bank and in hand	3,847,806	2,864,103

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and limited by guarantee)

NOTES TO THE ACCOUNTS

GENERAL INFORMATION

1. The United Hearts Youth Foundation Limited was incorporated in Hong Kong under the Companies Ordinance as a company limited by guarantee and not having a share capital. The registered office of the Foundation is located at Room 6, Block B, 7th Floor, Tai Cheung Fty. Building, 3 Wing Ming Street, Kowloon, Hong Kong. Under the provisions of the Foundation's Memorandum of Association, every member undertakes to contribute to the fassets of the Foundation, in the event of the Foundation being wound up, to the extent of HK\$100.

The principal activities of the Foundation were to promote or assist in promoting the general welfare and fundamental education of children or adolescence, to construct school building and to improve the general welfare of the poor or the needy. The income and property of the Foundation are applied solely towards the promotion of objects set out in its Memorandum of Association. The funds and reserves of the Foundation are not distributable to its members.

These accounts cover the Foundation individually and are presented in Hong Kong dollars unless otherwise stated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Foundation has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Shares Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior adjustment has been required.

The Foundation has not early applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

	Effective for annual periods beginning on or after
HKAS 1 (Revised) Presentation of financial statements	1 January 2009
HKAS 23 (Revised) Borrowing costs	1 January 2009
HKAS 27 (Revised) Consolidated and separate financial statements	1 July 2009
HKAS 32 & 1 (Amendments) Puttable financial instruments	1 January 2009

and obligations arising on liquidation	
HKAS 39 (Amendments) eligible hedges items	1 July 2009
HKRS 1 & HKAS 27 (Amendments) Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
HK(IFRIC)-int 9 and HKAS 39 (Amendments) Recognition and measurement – embedded derivatives	30 June 2009
HKFRS 2 (Amendment) Vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised) Business combinations	1 July 2009
HKFRS 7 (Amendments) Improving disclosures about financial statement	1 January 2009
HKFRS 8 Operating segments	1 January 2009
HK(IFRIC) – INT 13 Customer loyalty programmes	1 July 2008
HK(IFRIC) – INT 14 HKAS 19 - The limit on a defined benefits assets, minimum funding requirements and their interaction	1 January 2008
HK(IFRIC) – INT 15 Agreements for the construction of real estates	1 January 2009
HK(IFRIC) – INT 16 Hedges of a net investment in a foreign operation	1 October 2008
HK(IFRIC) – INT 17 Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC) – INT 18 Transfer of assets from customers	1 July 2009

## 2A. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Foundation's principal financial instruments comprise cash and bank balances. The main risks arising from the financial instruments are cash flow interest rate risk, foreign currency risk and credit risk which are summarised below:

### (i) Currency risk

The Foundation has no significant exposure to foreign currency risk given its large asset base and operational cash flow primarily denominated in Hong Kong Dollars.

The Foundation is mainly exposed to Renminbi ("RMB") fluctuation. The Foundation has committed approximately RMB1.02 million (2007: RMB 1.44 million) as at the year ended date for payment of donation money as described in note 15 to the accounts.

### (ii) Credit risk

The Foundation has no significant concentration of credit risk, with exposure spread over a large number of customers.

### (iii) Liquidity risk

The Foundation manages liquidity risk through continuous monitoring and matching of the funding requirement and position. It maintains sufficient cash and availability of funds proper management of cash flow.

(iv) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at the year ended dates.

(v) Sensitivity analysis

As at the year ended date, it is estimated that a general increase/ decrease of 1 percent in interest rates, with all other variables held constant, would have no significant decrease/increase to the Foundation's profit after tax and retained profits.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and nonderivative financial instruments in existence at that date. The 1 percent increase or decrease represents management's assessment of the likely maximum change in interest rates over the period until the next annual balance sheet date.

### 3. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted in the preparation of these accounts is set out below:

(a) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(b) Property, plant and equipment

Property, plant and equipment, representing the term for statutory disclosure of fixed assets, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and

location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	30%
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The gain or loss on disposal or retirement of a property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(c) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(d) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(e) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(f) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Foundation and when the revenue can be measured reliably, on the following bases:

- (i) membership fee received are accounted for on accruals basis;
- (ii) donation, fund raising and scholarship fund are recognise when rights to receive payment have been established; and
- (iii) interest income is recognised on a time proportion basis.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Foundation's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(h) Revenue

Revenue represents the amount received from members' subscription, members relief fund subscriptions and members donations.

#### 4. FINANCIAL RISK MANAGEMENT

The Foundation's principal financial instruments comprise cash and bank balances. There is no significant risk arising from the financial instrument relating to cash flow interest rate risk, foreign currency risk or credit risk other than those described in the notes to the accounts.

#### 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgement and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There is no significant risk of key assumptions concerning the future and other key sources of estimation at the balance sheet date which will cause an adjustment to carrying amounts of assets and liabilities within the next financial year.

There are no significant effects on amounts recognised in the accounts arising from the judgement or estimates used by the Board of Governors.

#### 6. TAXATION

The Foundation has been exempted under Section 88 of the Inland Revenue Ordinance from any tax by reason of being a charitable institution or trust of a public character.

7. SURPLUS/(DEFICIT) BEFORE TAXATION

	2008 HK\$	2007 HK\$
Surplus/(deficit) before taxation is stated after charging:		
Audit fee	-	-
Director fee	-	-
	=====	=====

8. NON-CURRENT ASSETS

	2008 HK\$	2007 HK\$
Property, plant and equipment (Note 9)	7,255	5,201
	=====	=====

9. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment HK\$	Total HK\$
Cost:		
At 1st January 2007	41,561	41,561
Additions	6,500	6,500
At 31st December 2007	48,061	48,061
Additions	4,193	4,193
At 31st December 2008	52,254	52,254
Accumulated depreciation:		
At 1st January 2007	41,560	41,560
Charge for the year	1,300	1,300
At 31st December 2007	42,860	42,860
Charge for the year	2,139	2,139
At 31st December 2008	44,999	44,999
Net carrying value:		
At 31st December 2008	7,255	7,255
At 31st December 2007	5,201	5,201
	=====	=====

10. NET CURRENT ASSETS

	2008 HK\$	2007 HK\$
CURRENT ASSETS		
Cash and bank balances	2,347,806	1,364,203
Utility deposit	112,050	112,000
Prepayment	6,000	7,697
Fixed deposit	1,500,000	1,500,000
	<u>3,965,856</u>	<u>2,983,900</u>
CURRENT LIABILITIES		
Accrued expenses	1,000	1,425
	<u>1,000</u>	<u>1,425</u>
	<u>3,964,856</u>	<u>2,982,475</u>
	=====	=====

11. ACCUMULATED FUND

	2008 HK\$	2007 HK\$
General Fund (Note 12)	3,310,165	2,987,676
Building School Fund (Note 13)	488,054	-
Activities Fund (Note 14)	173,892	-
	<u>3,972,111</u>	<u>2,987,676</u>
	=====	=====

The Board of Governors approved and confirmed the transfer of funds as described in notes 12, 13 and 14 to the accounts.

12. GENERAL FUND

	2008 HK\$	2007 HK\$
At beginning of year	2,987,676	3,414,178
Surplus/(Deficit) for the year	984,435	(426,502)
Transfer to Building School Fund	(488,054)	-
Transfer to Activities Fund	(173,892)	-
	<u>3,310,165</u>	<u>2,987,676</u>
	=====	=====

13. BUILDING SCHOOL FUND

	2008 HK\$	2007 HK\$
At beginning of year	-	-
Surplus/(Deficit) transferred from General Fund	488,054	-
At year ended date	<u>488,054</u>	<u>-</u>
	=====	=====

14. ACTIVITIES FUND

	2008 HK\$	2007 HK\$
At beginning of year	-	-
Surplus/(Deficit) transferred from General Fund	173,892	-
At year ended date	<u>173,892</u>	<u>-</u>
	=====	=====

15 COMMITMENT FOR SCHOOL BUILDING DONATION

The Foundation has committed approximately RMB1.02 million (2007: RMB1.44 million) as at the year ended date for payment of donation money for construction of school buildings in Mainland China.

16 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.